

## Message Text

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PAGE 01 CARACA 01415 101351Z  
ACTION ARA-10

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FM AMEMBASSY CARACAS  
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PASS TO OED/MEPD AND OIM. ALSO PASS EXIMBANK

EO 11652 NA  
TAGS: BENC, VE  
SUBJ: MAJOR PROJECTS: RAILROAD

REF: A) 76 CARACAS 14406 B) CARACAS 574

1. SUMMARY: DURING VISITS BY STEPHEN CONGER, DIRECTOR  
MAJOR EXPORT PROJECTS DIVISION, THE FOLLOWING COMMENTS  
REGARDING WHO WOULD WIN THE RAILROAD BID SURFACED. SPANISH  
CONSORTIUM APPEARS TO HAVE INSIDE TRACK BUT RUMORS ABOUND.  
END SUMMARY.

2. DIRECTOR GENERAL OF MINISTRY OF COMMUNICATIONS,  
INGENIERO ARMANDO ENRIQUE GUIA MONASTERIOS STATED  
FLATLY THAT THE LICITATION WOULD BE VACATED AND THE  
CONSORTIA WOULD BE REQUESTED TO ENTER INTO A NEGOTIATED  
BID. THIS INVITATION COULD INCLUDE CONSORCIA WHICH HAVE  
ALREADY WITHDRAWN OR NOT QUALIFIED, I E FRENCH, BRITISH,  
JAPANESE. APPARENTLY THE LINE OF THOUGHT IN MINISTRY  
CIRCLES IS THAT BECAUSE THE SPECIFICATIONS WERE SO GENERAL,  
TOO WIDE A DISTRIBUTION OF TECHNICAL AND PRICE PROPOSALS  
WERE PRESENTED, MAKING RATIONAL ANALYSIS OF THE PRESENT  
BIDS IMPOSSIBLE.

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PAGE 02 CARACA 01415 101351Z

3. INGENIERO LYON LUCHESI OF THE RAILROAD INSTITUTE WAS  
EQUALLY CATEGORICAL IN STATING THAT ANALYSIS OF THE BIDS WAS  
PROCEEDING ON THREE LEVELS. BECHTEL PRESENTLY IS ANALYZING  
THE TECHNICAL ASPECTS, A COMMISSION OF LAWYERS IS EXAMINING  
LEGAL AND CONTRACTUAL ASPECTS, AND THE RAILROAD INSTITUTE STAFF  
IS LOOKING AT COSTING. LYON SAID THAT WHEN THESE ANALYSES ARE

COMPLETED AND WRITTEN UP THEY AND THE BID PROPOSALS AS RECEIVED WOULD BE TRANSMITTED TO THE BID EVALUATION COMMISSION. WITH REGARD TO THE US CONSORTIUM'S PROPOSAL, LYON INDICATED THAT IT BASICALLY WAS QUITE SIMPLE. IT WOULD BE CONSIDERED ON ITS MERITS ALONG WITH OTHER BIDS.

4. THE TECHNICAL EVALUATION BY BECHTEL HAS NOT BEEN COMPLETED. BECHTEL REPRESENTATIVES HAVE BEEN INSTRUCTED NOT TO HAVE ANY CONTACT WITH BIDDERS. HOWEVER, EMBOFF MET PARTY LEADER BY ACCIDENT AT AIRPORT WHO REPORTED THAT BECHTEL STAFF APPARENTLY HAS NOT EVEN FINISHED READING THE BIDS YET.

5. PREVIOUS EMBASSY REPORTING INDICATED THAT THE CANADIAN EMBASSY WAS NERVOUS REGARDING THEIR PROSPECTS AND THAT THE SPANISH EMBASSY WAS HIGHLY CONFIDENT. VARIOUS NEWS-PAPER REPORTS SHOW INTENSITY OF SPANISH INTEREST AND SIGNS OF VENEZUELAN RECEPΤIVITY. FOR INSTANCE, PRESIDENT PEREZ SPOKE FAVORABLY OF SPAIN'S RAILROAD CAPABILITY AT DINNER SPEECH DURING HIS VISIT TO MADRID LAST YEAR. THE SPANISH MINISTER OF INDUSTRIES VISITED VENEZUELA LAST WEEK AND SPOKE CONFIDENTLY. ONE OPPOSITION DEPUTY CALLED FOR AN INVESTIGATION, CHARGING THAT THE BID HAD BEEN AWARDED TO THE SPANISH AT A CONSIDERABLE HIGHER PRICE THAN THE CANADIAN BID. DR. AGOSTINI OF THE RAILROAD INSTITUTE CATEGORICALLY DENIED THIS. THE AMBASSADOR HAS BEEN TOLD BY SEVERAL OF HIS COLLEAGUES THAT ACCORDING TO THEIR SOURCES A DECISION HAS BEEN MADE TO GO WITH THE SPANISH BID. FINALLY, THE MANAGING DIRECTOR OF A US FIRM IN THE HEAVY EQUIPMENT BUSINESS

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PAGE 03 CARACA 01415 101351Z

STATES THAT HE HAS FIRM INFORMATION FROM A SOURCE ON THE MINISTERIAL LEVEL THAT THE CANADIANS AND THE SPANISH WILL BE INVITED TO MERGE THEIR BIDS, THUS HAPPILY MARRYING THE GOVT-TO-GOVT GUARANTEE BY SPAIN TO CANADA'S LOWER PRICE AND WIDER RAILROAD CONSTRUCTION EXPERIENCE. TO THIS RUMOR, THE CANADIAN COMMERCIAL COUNSELOR ONLY SNORTED THAT IF THE SPANISH WANTED TO TRAIN THE VENEZUELAN HOW TO OPERATE THE CANADIAN RAILROAD LOCOMOTIVES OPERATING IN SPAIN, THE CANADIAN EMBASSY WOULD BE GLAD TO COOPERATE.

6. MESSRS. POOLE AND MOE OF MKI TODAY PRESENTED TO DIRECTOR GENERAL GUIA A POSSIBLE PLAN TO FINANCE THE PROJECT, BASED ON DISCUSSIONS WITH BANK OF AMERICA AND EXIMBANK, IN THE AMOUNT OF \$842 MILLION.

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